



TOWNSHIP OF HULBERT  
Chippewa County, Michigan

FINANCIAL REPORT WITH  
SUPPLEMENTARY INFORMATION

Year Ended March 31, 2005

## AUDITING PROCEDURES REPORT

Issue under P.A. 2 of 1968, as amended. Filing is mandatory.

<b>Local Government Type</b> <input type="checkbox"/> City <input checked="" type="checkbox"/> Township <input type="checkbox"/> Village <input type="checkbox"/> Other		<b>Local Government Name</b> Township of Hulbert	<b>County</b> Chippewa
<b>Audit Date</b> March 31, 2005	<b>Opinion Date</b> June 9, 2005	<b>Date Accountant Report Submitted to State:</b> August 31, 2005	

We have audited the financial statements of this local unit of government and rendered an opinion on financial statements prepared in accordance with the Statements of the Governmental Accounting Standards Board (GASB) and the *Uniform Reporting Format for Financial Statements for Counties and Local Units of Government in Michigan* by the Michigan Department of Treasury.

We affirm that:

1. We have complied with the *Bulletin for the Audits of Local Units of Government in Michigan* as revised.
2. We are certified public accountants registered to practice in Michigan.

We further affirm the following. "Yes" responses have been disclosed in the financial statements, including the notes, or in the report of comments and recommendations

You must check the applicable box for each item below.

- ☐ yes ☒ no 1. Certain component units/funds/agencies of the local unit are excluded from the financial statements.
- ☐ yes ☒ no 2. There are accumulated deficits in one or more of this unit's unreserved fund balances/retained earnings (P.A. 275 of 1980).
- ☒ yes ☒ no 3. There are instances of non-compliance with the Uniform Accounting and Budgeting Act (P.A. 2 of 1968, as amended).
- ☐ yes ☒ no 4. The local unit has violated the conditions of either an order issued under the Municipal Finance Act or its requirements, or an order issued under the Emergency Municipal Loan Act.
- ☐ yes ☒ no 5. The local unit holds deposits/investments which do not comply with statutory requirements. (P.A. 20 of 1943, as amended [MCL 129.91], or P.A. 55 of 1982, as amended [MCL 38.1132]).
- ☐ yes ☒ no 6. The local unit has been delinquent distributing tax revenues that were collected for another taxing unit.
- ☐ yes ☒ no 7. The local unit has violated the Constitutional requirement (Article 9, Section 24) to fund current year earned pension benefits (normal costs) in the current year. If the plan is more than 100% funded and the overfunding credits are more than the normal cost requirement, no contributions are due (paid during they year).
- ☐ yes ☒ no 8. The local unit uses credit cards and has not adopted an applicable policy as required by P.A. 266 of 1995 (MCL 129.241).
- ☐ yes ☒ no 9. The local unit has not adopted an investment policy as required by P.A. 196 of 1997 (MCL 129.95).

We have enclosed the following:	Enclosed	To Be Forwarded	Not Required
The letter of comments and recommendations.	X		
Reports on individual federal financial assistance programs (program audits).			X
Single Audit Reports (ASLGU).			X

<b>Certified Public Accountant (Firm Name)</b> Campbell, Kusterer & Co., P.C.			
<b>Street Address</b> 512 N. Lincoln, Suite 100, P.O. Box 686		<b>City</b> Bay City	<b>State</b> MI
<b>Accountant Signature</b> Campbell, Kusterer & Co., P.C.		<b>Zip</b> 48707	

TOWNSHIP OF HULBERT  
Chippewa County, Michigan

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# CAMPBELL, KUSTERER & CO., P.C.

CERTIFIED PUBLIC ACCOUNTANTS

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## INDEPENDENT AUDITOR'S REPORT

June 9, 2005

To the Township Board  
Township of Hulbert  
Chippewa County, Michigan

We have audited the accompanying financial statements of the governmental activities and each major fund of Township of Hulbert, Chippewa County, Michigan as of and for the year ended March 31, 2005, which collectively comprise the Township's basic financial statements as listed in the table of contents. These financial statements are the responsibility of Township of Hulbert's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of the Township of Hulbert, Chippewa County, Michigan as of March 31, 2005, and the respective changes in financial position thereof, for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As described in Note 1, the Township has implemented a new financial reporting model, as required by the provisions of GASB Statement No. 34, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments*, as of April 1, 2004.

The Management's Discussion and Analysis and budgetary comparison information listed in the table of contents are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management, regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming an opinion on the Township's basic financial statements. The other supporting information described in the accompanying table of contents is presented for the purpose of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied by us in the audit of the basic financial statements and, in our opinion, it is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

*Campbell, Kusterer & Co., P.C.*  
CAMPBELL, KUSTERER & CO., P.C.  
Certified Public Accountants

TOWNSHIP OF HULBERT  
Chippewa County, Michigan

MANAGEMENT'S DISCUSSION AND ANALYSIS  
For the year ended March 31, 2005

The Management's Discussion and Analysis report of the Township of Hulbert covers the Township's financial performance during the year ended March 31, 2005.

FINANCIAL HIGHLIGHTS

Our financial status remained stable over the last year. Net assets at March 31, 2005, totaled \$204,009.34 for governmental activities.

Overall revenues were \$160,759.30 from governmental activities. Governmental activities had a \$30,436.58 increase in net assets.

OVERVIEW OF FINANCIAL STATEMENTS

This annual report consists of three parts, management's discussion and analysis, the basic financial statements and required supplementary information. The basic financial statements include two different kinds of statements that present different views of the Township and the notes to the financial statements.

The first two statements are entity-wide financial statements and provide both long and short-term information about our overall financial status. These statements present governmental activities.

The remaining statements are fund financial statements, which focus on individual parts of the Township in more detail.

The notes to the financial statements explain some of the information in the statements and provide more detailed data.

Required supplementary information further explains and supports the financial statement information with budgetary comparisons.

ENTITY-WIDE FINANCIAL STATEMENTS

The entity-wide statements report information about the Township as a whole using accounting methods used by private companies. The statement of net assets includes all of the Township's assets and liabilities. The statement of activities records all of the current year revenues and expenses regardless of when received or paid.

The two entity-wide statements report net assets and how they have changed. Net assets are the difference between the entity's assets and liabilities and this is one method to measure the entity's financial health or position.

Over time increases/decreases in the entity's net assets are an indicator of whether financial position is improving or deteriorating.

To assess overall health of the entity you may also have to consider additional factors such as tax base changes, facility conditions and personnel changes.

All of the activities of the Township are reported as governmental activities. This includes the General Fund, the Fire Operating Fund and the Current Tax Collection Fund.

TOWNSHIP OF HULBERT  
Chippewa County, Michigan

MANAGEMENT'S DISCUSSION AND ANALYSIS  
For the year ended March 31, 2005

FUND FINANCIAL STATEMENTS

The fund financial statements provide more detailed information about the Township's funds, focusing on significant (major) funds not the Township as a whole. Funds are used to account for specific activities or funding sources. Some funds are required by law or bond covenants. The Township Board also may create them. Funds are established to account for funding and spending of specific financial resources and to show proper expenditures of those resources.

The Township has the following types of funds:

Governmental funds: All of the Township's activities are included in the governmental category. These funds are presented on the modified accrual basis, which is designed to show short-term financial information. You will note that the differences between the Township's entity-wide statements and the fund statements are disclosed in reconciling statements to explain the differences between them. The Township's governmental activities include the General Fund and the Fire Operating Fund.

FINANCIAL ANALYSIS OF THE TOWNSHIP AS A WHOLE

During the year we completed paving of 6<sup>th</sup> Street and Spruce Street.

Our cash position in the governmental activities remains strong.

FINANCIAL ANALYSIS OF THE TOWNSHIP'S FUNDS

The General Fund pays for most of the Township's governmental services and incurred expenditures of \$222,488.03.

CAPITAL ASSET AND LONG-TERM DEBT ACTIVITY

The Township's governmental activities invested \$87,931.06 in capital assets.

The Township's governmental activities paid \$43,882.48 of principal on long-term debt and obtained bond proceeds of \$85,130.00.

KNOWN FACTORS AFFECTING FUTURE OPERATIONS

The future of state revenue sharing is very clouded and it represents 16% of our income. We continue to grow in taxable values with little demand for infrastructure.

CONTACTING THE TOWNSHIP'S MANAGEMENT

This financial report is designed to provide our taxpayers, creditors, investors and customers with a general overview of the Townships finances and to demonstrate the Township's accountability for the revenues it receives. If you have any questions concerning this report please contact the Township Clerk or Township Treasurer at Box 128, Hulbert, Michigan 49748, or call 906-876-2353.

TOWNSHIP OF HULBERT  
Chippewa County, Michigan

GOVERNMENT-WIDE STATEMENT OF NET ASSETS  
March 31, 2005

	<u>Governmental Activities</u>
ASSETS:	
CURRENT ASSETS:	
Cash in bank	
Taxes receivable	140 130 04
	<u>5 785 57</u>
Total Current Assets	<u>145 915 61</u>
NON-CURRENT ASSETS:	
Capital Assets	204 855 06
Less: Accumulated Depreciation	<u>(61 631 33)</u>
Total Non-current Assets	<u>143 223 73</u>
TOTAL ASSETS	<u><u>289 139 34</u></u>
LIABILITIES AND NET ASSETS:	
LIABILITIES:	
CURRENT LIABILITIES	
Total Current Liabilities	<u>-</u>
NON-CURRENT LIABILITIES:	
Bonds payable	
Total Non-current Liabilities	<u>85 130 00</u>
Total Liabilities	<u>85 130 00</u>
NET ASSETS:	
Invested in Capital Assets, Net of Related Debt	58 093 73
Unrestricted	<u>145 915 61</u>
Total Net Assets	<u>204 009 34</u>
TOTAL LIABILITIES AND NET ASSETS	<u><u>289 139 34</u></u>

The accompanying notes are an integral part of these financial statements.

TOWNSHIP OF HULBERT  
Chippewa County, Michigan

GOVERNMENT-WIDE STATEMENT OF ACTIVITIES  
Year ended March 31, 2005

FUNCTIONS/PROGRAMS	<u>Expenses</u>	<u>Program Revenue</u>		<u>Governmental Activities Net (Expense) Revenue and Changes in Net Assets</u>
		<u>Charges for Services</u>	<u>Capital Grants - Contributions</u>	
Governmental Activities:				
Legislative	1 460 88	-	-	(1 460 88)
General government	58 071 48	3 698 84	25 300 00	(29 072 64)
Public safety	32 836 90	-	510 00	(32 326 90)
Public works	23 203 98	-	-	(23 203 98)
Culture and recreation	7 288 00	-	-	(7 288 00)
Other	5 462 38	-	-	(5 462 38)
Interest on long-term debt	1 999 10	-	-	(1 999 10)
Total Governmental Activities	<u>130 322 72</u>	<u>3 698 84</u>	<u>25 810 00</u>	<u>(100 813 88)</u>
General Revenues:				
Property taxes				49 633 26
Other taxes				21 242 25
State revenue sharing				17 618 06
Interest				1 780 67
Miscellaneous				40 976 22
Total General Revenues				<u>131 250 46</u>
Change in net assets				30 436 58
Net assets, beginning of year				<u>173 572 76</u>
Net Assets, End of Year				<u>204 009 34</u>

The accompanying notes are an integral part of these financial statements.



TOWNSHIP OF HULBERT  
Chippewa County, Michigan

BALANCE SHEET – GOVERNMENTAL FUNDS  
March 31, 2005

<u>Assets</u>	<u>General</u>	<u>Fire Operating</u>	<u>Total</u>
Cash in bank	127 568 89	12 561 14	140 130 03
Taxes receivable	3 482 17	2 303 40	5 785 57
Due from other funds	01	-	01
Total Assets	<u>131 051 07</u>	<u>14 864 54</u>	<u>145 915 61</u>
<u>Liabilities and Fund Equity</u>			
Liabilities	-	-	-
Total liabilities	-	-	-
Fund equity:			
Fund balances:			
Unreserved:			
Undesignated	131 051 07	14 864 54	145 915 61
Total fund equity	<u>131 051 07</u>	<u>14 864 54</u>	<u>145 915 61</u>
Total Liabilities and Fund Equity	<u>131 051 07</u>	<u>14 864 54</u>	<u>145 915 61</u>

The accompanying notes are an integral part of these financial statements.

TOWNSHIP OF HULBERT  
Chippewa County, Michigan

RECONCILIATION OF BALANCE SHEET OF GOVERNMENTAL FUNDS  
TO THE STATEMENT OF NET ASSETS  
March 31, 2005

TOTAL FUND BALANCES – GOVERNMENTAL FUNDS

145 915 61

Amounts reported for governmental activities in the statement of  
net assets are different because –

Capital assets used in governmental activities are not financial resources and  
therefore are not reported in the governmental funds balance sheet:

Capital assets at cost  
Accumulated depreciation

204 855 06  
(61 631 33)

Long-term debt liabilities are not due and payable in the current period and  
therefore are not reported in the governmental funds:

Bonds payable

(85 130 00)

TOTAL NET ASSETS – GOVERNMENTAL ACTIVITIES

204 009 34

The accompanying notes are an integral part of these financial statements.

TOWNSHIP OF HULBERT  
Chippewa County, Michigan

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES -  
GOVERNMENTAL FUNDS  
Year ended March 31, 2005

	<u>General</u>	<u>Fire Operating</u>	<u>Total</u>
Revenues:			
Property taxes	29 873 61	19 759 65	49 633 26
Other taxes	19 534 90	1 707 35	21 242 25
Federal grant	25 300 00	-	25 300 00
State grant	-	510 00	510 00
State revenue sharing	17 618 06	-	17 618 06
Charges for services - PTAF	3 698 84	-	3 698 84
Interest	1 392 92	387 75	1 780 67
Miscellaneous	34 720 03	6 256 19	40 976 22
Total revenues	<u>132 138 36</u>	<u>28 620 94</u>	<u>160 759 30</u>
Expenditures:			
Legislative:			
Township Board	1 460 88	-	1 460 88
General government:			
Supervisor	3 704 40	-	3 704 40
Elections	2 213 90	-	2 213 90
Assessor	4 200 00	-	4 200 00
Clerk	2 778 28	-	2 778 28
Board of Review	614 91	-	614 91
Treasurer	2 778 28	-	2 778 28
Building and grounds	23 528 34	-	23 528 34
Cemetery	2 631 68	-	2 631 68
Unallocated	8 678 36	-	8 678 36
Public safety:			
Liquor law enforcement	720 00	-	720 00
Fire protection	-	21 516 90	21 516 90
Public works:			
Highways and streets	20 000 00	-	20 000 00
Street lights	2 171 98	-	2 171 98
Sanitation	1 032 00	-	1 032 00
Culture and recreation:			
Recreation	6 700 00	-	6 700 00
Other:			
Pension	1 723 38	-	1 723 38
Insurance	3 739 00	-	3 739 00
Capital outlay	87 931 06	-	87 931 06
Debt service	45 881 58	-	45 881 58
Total expenditures	<u>222 488 03</u>	<u>21 516 90</u>	<u>244 004 93</u>
Excess (deficiency) of revenues over expenditures	<u>(90 349 67)</u>	<u>7 104 04</u>	<u>(83 245 63)</u>

The accompanying notes are an integral part of these financial statements.

TOWNSHIP OF HULBERT  
Chippewa County, Michigan

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES -  
GOVERNMENTAL FUNDS  
Year ended March 31, 2005

	<u>General</u>	<u>Fire Operating</u>	<u>Total</u>
Other financing sources (uses):			
Bond proceeds	<u>85 130 00</u>	<u>-</u>	<u>85 130 00</u>
Total other financing sources (uses)	<u>85 130 00</u>	<u>-</u>	<u>85 130 00</u>
Excess (deficiency) of revenues and other sources over expenditures and other uses	(5 219 67)	7 104 04	1 884 37
Fund balances, April 1	<u>136 270 74</u>	<u>7 760 50</u>	<u>144 031 24</u>
Fund Balances, March 31	<u>131 051 07</u>	<u>14 864 54</u>	<u>145 915 61</u>

The accompanying notes are an integral part of these financial statements.

TOWNSHIP OF HULBERT  
Chippewa County, Michigan

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN  
FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES  
Year ended March 31, 2005

NET CHANGE IN FUND BALANCES – TOTAL GOVERNMENTAL FUNDS

1 884 37

Amounts reported for governmental activities in the Statement of Activities are different because:

Governmental funds report capital outlays as expenditures; in the Statement of Activities,  
these costs are allocated over their estimated useful lives as depreciation

Depreciation Expense  
Capital Outlay

(18 131 33)  
87 931 06

Repayment of debt principal is an expenditure in the governmental funds, the  
repayment does not have an effect in the statement of activities but does  
reduce the debt balance in the statement of net assets.

Principal payments on long-term debt

43 882 48

Repayment of debt principal in the form of loan proceeds is a financing source in the  
governmental funds, the receipt does not have an effect in the statement of  
activities but does increase the debt balance in the statement of net assets.

Principal receipts on long-term debt

(85 130 00)

CHANGE IN NET ASSETS OF GOVERNMENTAL ACTIVITIES

30 436 58

The accompanying notes are an integral part of these financial statements.

TOWNSHIP OF HULBERT  
Chippewa County, Michigan

NOTES TO FINANCIAL STATEMENTS  
March 31, 2005

Note 1 – Summary of Significant Accounting Policies

The accounting policies of the Township of Hulbert, Chippewa County, Michigan, conform to generally accepted accounting principles as applicable to governmental units.

Reporting Entity

The financial statements of the Township contain all the Township funds that are controlled by or dependent on the Township's executive or legislative branches.

The reporting entity is the Township of Hulbert. The Township is governed by an elected Township Board. As required by generally accepted accounting principles, these financial statements present the Township as the primary government.

Government-Wide and Fund Financial Statements

The government-wide financial statements, (the Statement of Net Assets and the Statement of Changes in Net Assets) report information on all of the non-fiduciary activities of the primary government. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, normally supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support. All the Township's government-wide activities are considered governmental activities.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. Program revenues include: (1) charges to customers or applicants who purchase, use or directly benefit from goods, services or privileges provided by a given function; and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Taxes, intergovernmental payments and other items not properly included among program revenues are reported as general revenue.

Major individual governmental funds are reported as separate columns in the fund financial statements.

Measurement Focus, Basis of Accounting and Financial Statement Presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenue is recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenue in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met. When an expense is incurred for purposes for which both restricted and unrestricted net assets are available, restricted resources are applied first.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenue is recognized as soon as it is both measurable and available. Revenue is considered to be available if it is collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, expenditures relating to compensated absences, and claims and judgments are recorded only when payment is due.

TOWNSHIP OF HULBERT  
Chippewa County, Michigan

NOTES TO FINANCIAL STATEMENTS  
March 31, 2005

Note 1 – Summary of Significant Accounting Policies (continued)

Governmental Funds

General Fund

This fund is used to account for all financial transactions except those required to be accounted for in another fund. The fund includes the general operating expenditures of the local unit. Revenues are derived primarily from property taxes, state and federal distributions, grants, and other intergovernmental revenues.

Special Revenue Fund

This fund is used to account for specific governmental revenues requiring separate accounting because of legal or regulatory provisions or administrative action.

Fiduciary Fund

The Current Tax Collection Fund is used to account for assets held as an agent for others.

Assets, Liabilities and Net Assets or Equity

Bank deposits and investments – Cash and cash equivalent investments include cash on hand, demand deposits, certificates of deposit and short-term investments with a maturity of three months or less when acquired. Investments are stated at fair value.

Receivables

Receivables have been recognized for all significant amounts due to the Township. Allowances for uncollectible accounts have not been provided for in that collection is not considered doubtful and any uncollected amount would be immaterial.

Inventories

Inventories of supplies are considered to be immaterial and are not recorded.

Property Taxes

Property taxes are accrued in the year in which they are levied. The tax levy is recorded as deferred revenue until the subsequent year when it becomes available for use.

Properties are assessed as of December 31 and the related property taxes become a lien on December 1 of the following year. These taxes are due on February 14 with the final collection date of February 28 before they are added to the county tax rolls. The 2004 tax roll millage rate was 7.5363 mills, and the taxable value was \$6,571,750.00.

Encumbrances

Encumbrances involving the current recognition of purchase orders, contracts and other commitments for future expenditures are not recorded.

TOWNSHIP OF HULBERT  
Chippewa County, Michigan

NOTES TO FINANCIAL STATEMENTS  
March 31, 2005

Note 1 – Summary of Significant Accounting Policies (continued)

Capital Assets

Capital assets are defined by the Township as assets with an initial cost of more than \$2,500.00 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost. Donated assets are reported at estimated fair market value at the date of donation. Additions, improvements and other capital outlays that significantly extend the useful life of an asset are capitalized. Other costs incurred for repairs and maintenance are expensed as incurred. Depreciation on all assets is provided on the straight-line basis over the following estimated useful lives:

Buildings, additions and improvements	15-40 years
Furniture and equipment	5-15 years

Compensated Absences (Vacation and Sick Leave)

Employees are not allowed to accumulate vacation and sick pay.

Post-employment Benefits

The Township provides no post-employment benefits to past employees.

Fund Equity

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

Accounting Change

Effective April 1, 2004, the Township implemented the provisions of Governmental Accounting Standards Board Statement No. 34, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments* (GASB No. 34). Changes to the Township's financial statements as a result of GASB No. 34 are as follows:

A Management's Discussion and Analysis (MD&A) section providing analysis of the Township's overall financial position and results of operations has been included.

Government-wide financial statements (Statement of Net Assets and Statement of Activities) prepared using the full accrual accounting for all the Township's activities have been provided.

Capital assets in the governmental activities column of the Statement of Net Assets include net assets totaling \$143,223.73.

Note 2 – Budgets and Budgetary Accounting

The following procedures are followed in establishing the budgetary data reflected in these financial statements:

1. Prior to the beginning of the fiscal year, the proposed budget for each budgetary fund is submitted to the Township Board for consideration.
2. The proposed budgets include expenditures as well as the methods of financing them.



TOWNSHIP OF HULBERT  
Chippewa County, Michigan

NOTES TO FINANCIAL STATEMENTS  
March 31, 2005

Note 2 – Budgets and Budgetary Accounting (continued)

3. Public hearings are held to obtain taxpayer comments.
4. The budgets are adopted at the activity level by a majority vote of the Township Board.
5. The budgets are adopted on the modified accrual basis of accounting.
6. The originally adopted budgets can be amended during the year only by a majority vote of the Township Board.
7. The adopted budgets are used as a management control device during the year for all budgetary funds.
8. Budget appropriations lapse at the end of each fiscal year.
9. The budgeted amounts shown in these financial statements are the originally adopted budgets with all amendments that were approved by the Township Board during the fiscal year.

Note 3 – Deposits and Investments

Michigan Compiled Laws, Section 129.91, authorizes the Township to deposit and invest in the accounts of federally insured banks, credit unions, and savings and loan associations; bonds, securities and other direct obligations of the United States, or any agency or instrumentality of the United States; United States government or federal agency obligation repurchase agreements; banker's acceptance of United States banks; commercial paper rated within the two highest classifications, which mature not more than 270 days after the date purchase; obligations of the State of Michigan or its political subdivisions which are rated as investment grade; and mutual funds composed of investment vehicles which are legal for direct investment by local units of government in Michigan. Financial institutions eligible for deposit of public funds must maintain an office in Michigan.

The Township Board has designated one bank for the deposit of Township funds. The investment policy adopted by the board in accordance with Public Act 196 of 1997 has authorized investment in all investments authorized by state law as listed above.

The Township's deposits and investments are in accordance with statutory authority.

The Governmental Accounting Standards Board Statement No. 3, risk disclosures for the cash deposits are as follows:

	<u>Carrying Amounts</u>
Total Deposits	<u>140 130 04</u>

Amounts in the bank balances are without considering deposits in transit or uncleared checks.

TOWNSHIP OF HULBERT  
Chippewa County, Michigan

NOTES TO FINANCIAL STATEMENTS  
March 31, 2005

Note 3 – Deposits and Investments (continued)

	<u>Bank Balances</u>
Insured (FDIC)	113 933 03
Uninsured and Uncollateralized	<u>39 691 89</u>
Total Deposits	<u><u>153 624 92</u></u>

The Township of Hulbert did not have any investments as of March 31, 2005.

Note 4 – Capital Assets

Capital asset activity of the Township's Governmental activities for the current year was as follows:

	<u>Balance 4/1/04</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance 3/31/05</u>
<u>Governmental Activities:</u>				
Buildings and improvements	63 924 00	72 635 06	-	136 559 06
Equipment	<u>53 000 00</u>	<u>15 296 00</u>	-	<u>68 296 00</u>
Total	116 924 00	87 931 06	-	204 855 06
Accumulated Depreciation	<u>(43 500 00)</u>	<u>(18 131 33)</u>	-	<u>(61 631 33)</u>
Net Capital Assets	<u><u>73 424 00</u></u>	<u><u>69 799 73</u></u>	<u>-</u>	<u><u>143 223 73</u></u>

Note 5 – Changes in Long-Term Debt

A summary of changes in long-term debt follows:

	<u>Balance 4/1/04</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance 3/31/05</u>
U.S.D.A. Bonds Payable	-	85 130 00	-	85 130 00
Loan Payable	<u>43 882 48</u>	-	<u>43 882 48</u>	-
Total	<u><u>43 882 48</u></u>	<u><u>85 130 00</u></u>	<u><u>43 882 48</u></u>	<u><u>85 130 00</u></u>

Note 6 – Loan Payable

On March 19, 1999, the Township obtained a loan in the amount of \$49,924.01 for the purchase and remodeling of a new Township office building. The Township was making monthly payments of approximately \$300.00. The loan was paid off during the fiscal year ended March 31, 2005.

Note 7 – Bonds Payable – U.S.D.A

On June 30, 2004, the Township obtained \$85,130.00 of United States Department of Agriculture bonds. The scheduled annual principal payments vary from \$1,130.00 to \$5,000.00 and are due on November 1 during each of the next thirty years. The interest rate is 4.375% per annum. The principal balance outstanding on March 31, 2005, was \$85,130.00.

TOWNSHIP OF HULBERT  
Chippewa County, Michigan

NOTES TO FINANCIAL STATEMENTS  
March 31, 2005

Note 8 – Pension Plan

The Township has a defined contribution pension plan covering all full-time employees. The Township contributes an amount of each employee's annual salary to the plan. Pension expense for the fiscal year ended March 31, 2005, was \$1,723.38.

Note 9 – Deferred Compensation Plan

The Township does not have a deferred compensation plan.

Note 10 – Risk Management

The Township is exposed to various risks of loss related to property loss, torts, errors, omissions, and employee injuries (workers' compensation). The Township has purchased commercial insurance for property loss, torts and workers' compensation claims. Settled claims relating to the commercial insurance have not exceeded the amount of insurance coverage in any of the past three fiscal years.

Note 11 – Building Permits

The Township of Hulbert does not issue building permits. Building permits are issued by the County of Chippewa.

Note 12 – Interfund Receivables and Payables

The amounts of interfund receivables and payables are as follows:

<u>Fund</u>	<u>Interfund Receivable</u>	<u>Fund</u>	<u>Interfund Payable</u>
General	<u>01</u>	Current Tax Collection	<u>01</u>

Note 13 – Budget Variances

During the fiscal year ended March 31, 2005, Township expenditures exceeded the budgeted amounts in the activities as follows:

	<u>Total Budget</u>	<u>Total Expenditures</u>	<u>Excess Expenditures</u>
General Fund Activity:			
Supervisor	3 652 00	3 704 40	52 40
Elections	2 100 00	2 213 90	113 90
Clerk	2 739 00	2 778 28	39 28
Treasurer	2 739 00	2 778 28	39 28
Building and grounds	15 100 00	23 528 34	8 428 34
Cemetery	1 700 00	2 631 68	931 68
Recreation	5 375 00	6 700 00	1 325 00
Debt service	4 961 00	45 881 58	40 920 58

TOWNSHIP OF HULBERT  
Chippewa County, Michigan

BUDGETARY COMPARISON SCHEDULE - GENERAL FUND  
Year ended March 31, 2005

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget Over (Under)</u>
Revenues:				
Property taxes	29 873 00	29 873 00	29 873 61	61
Other taxes	16 821 00	16 821 00	19 534 90	2 713 90
Federal grant	-	25 300 00	25 300 00	-
State revenue sharing	16 867 00	16 867 00	17 618 06	751 06
Charges for services:				
Property tax administration	3 747 00	3 747 00	3 698 84	(48 16)
Interest	1 101 00	1 101 00	1 392 92	291 92
Miscellaneous	7 438 00	7 438 00	34 720 03	27 282 03
Total revenues	<u>75 847 00</u>	<u>101 147 00</u>	<u>132 138 36</u>	<u>30 991 36</u>
Expenditures:				
Legislative:				
Township Board	1 461 00	1 461 00	1 460 88	(12)
General government:				
Supervisor	3 652 00	3 652 00	3 704 40	52 40
Elections	1 500 00	2 100 00	2 213 90	113 90
Assessor	4 200 00	4 200 00	4 200 00	-
Clerk	2 739 00	2 739 00	2 778 28	39 28
Board of Review	900 00	900 00	614 91	(285 09)
Treasurer	2 739 00	2 739 00	2 778 28	39 28
Building and grounds	14 800 00	15 100 00	23 528 34	8 428 34
Cemetery	1 700 00	1 700 00	2 631 68	931 68
Unallocated	10 250 00	11 050 00	8 678 36	(2 371 64)
Public safety:				
Liquor law enforcement	880 00	880 00	720 00	(160 00)
Public works:				
Highways and streets	-	21 150 00	20 000 00	(1 150 00)
Street lights	2 300 00	2 300 00	2 171 98	(128 02)
Sanitation	1 200 00	1 200 00	1 032 00	(168 00)
Culture and recreation:				
Recreation	5 375 00	5 375 00	6 700 00	1 325 00
Other:				
Pension	1 500 00	1 750 00	1 723 38	(26 62)
Insurance	5 000 00	5 000 00	3 739 00	(1 261 00)
Capital outlay	10 900 00	129 280 00	87 931 06	(41 348 94)
Debt service	4 961 00	4 961 00	45 881 58	40 920 58
Total expenditures	<u>76 057 00</u>	<u>217 537 00</u>	<u>222 488 03</u>	<u>4 951 03</u>
Excess (deficiency) of revenues over expenditures	<u>(210 00)</u>	<u>(116 390 00)</u>	<u>(90 349 67)</u>	<u>26 040 33</u>
Other financing sources (uses):				
Bond proceeds	-	110 430 00	85 130 00	(25 300 00)
Total other financing sources (uses)	<u>-</u>	<u>110 430 00</u>	<u>85 130 00</u>	<u>(25 300 00)</u>

TOWNSHIP OF HULBERT  
Chippewa County, Michigan

BUDGETARY COMPARISON SCHEDULE - GENERAL FUND  
Year ended March 31, 2005

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget Over (Under)</u>
Excess (deficiency) of revenues and other sources over expenditures and other uses	(210 00)	(5 960 00)	(5 219 67)	740 33
Fund balance, April 1	<u>210 00</u>	<u>5 960 00</u>	<u>136 270 74</u>	<u>130 310 74</u>
Fund Balance, March 31	<u>-</u>	<u>-</u>	<u>131 051 07</u>	<u>131 051 07</u>

TOWNSHIP OF HULBERT  
Chippewa County, Michigan

BUDGETARY COMPARISON SCHEDULE - FIRE OPERATING FUND  
Year ended March 31, 2005

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget Over (Under)</u>
Revenues:				
Property taxes	17 803 00	17 803 00	19 759 65	1 956 65
Other taxes	1 549 00	1 549 00	1 707 35	158 35
State grant	-	-	510 00	510 00
Interest	-	-	387 75	387 75
Miscellaneous	<u>3 500 00</u>	<u>3 500 00</u>	<u>6 256 19</u>	<u>2 756 19</u>
Total revenues	<u>22 852 00</u>	<u>22 852 00</u>	<u>28 620 94</u>	<u>5 768 94</u>
Expenditures:				
Public safety:				
Fire protection	<u>22 852 00</u>	<u>22 852 00</u>	<u>21 516 90</u>	<u>(1 335 10)</u>
Total expenditures	<u>22 852 00</u>	<u>22 852 00</u>	<u>21 516 90</u>	<u>(1 335 10)</u>
Excess (deficiency) of revenues over expenditures	-	-	7 104 04	7 104 04
Fund balance, April 1	<u>-</u>	<u>-</u>	<u>7 760 50</u>	<u>7 760 50</u>
Fund Balance, March 31	<u><u>-</u></u>	<u><u>-</u></u>	<u><u>14 864 54</u></u>	<u><u>14 864 54</u></u>

TOWNSHIP OF HULBERT  
Chippewa County, Michigan

GENERAL FUND EXPENDITURES BY DETAILED ACCOUNT  
Year ended March 31, 2005

Township Board	<u>1 460 88</u>
Supervisor	<u>3 704 40</u>
Elections	<u>2 213 90</u>
Assessor	<u>4 200 00</u>
Clerk	<u>2 778 28</u>
Board of Review	<u>614 91</u>
Treasurer	<u>2 778 28</u>
Township hall: Repairs and maintenance	<u>23 528 34</u>
Cemetery	<u>2 631 68</u>
Unallocated:	
Administration	526 64
Audit	2 800 00
Legal	588 00
Miscellaneous	<u>4 763 72</u>
	<u>8 678 36</u>
Liquor law enforcement	<u>720 00</u>
Highways and streets	<u>20 000 00</u>
Street lighting	<u>2 171 98</u>
Sanitation	<u>1 032 00</u>
Recreation	<u>6 700 00</u>
Pension	<u>1 723 38</u>
Insurance	<u>3 739 00</u>
Capital outlay	<u>87 931 06</u>
Debt service	<u>45 881 58</u>
Total Expenditures	<u>222 488 03</u>

TOWNSHIP OF HULBERT  
Chippewa County, Michigan

CURRENT TAX COLLECTION FUND  
STATEMENT OF CHANGES IN ASSETS AND LIABILITIES  
Year ended March 31, 2005

	<u>Balance</u> <u>4/1/04</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance</u> <u>3/31/05</u>
<u>Assets</u>				
Cash in Bank	<u>16 338 01</u>	<u>236 021 27</u>	<u>252 359 27</u>	<u>01</u>
<u>Liabilities</u>				
Due to other funds	2 583 74	49 919 31	52 503 04	01
Due to others	<u>13 754 27</u>	<u>186 101 96</u>	<u>199 856 23</u>	-
Total Liabilities	<u>16 338 01</u>	<u>236 021 27</u>	<u>252 359 27</u>	<u>01</u>



# **CAMPBELL, KUSTERER & CO., P.C.**

CERTIFIED PUBLIC ACCOUNTANTS

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KENNETH P. KUSTERER, CPA

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## **AUDIT COMMUNICATION AND REPORT OF COMMENTS AND RECOMMENDATIONS**

June 9, 2005

To the Township Board  
Township of Hulbert  
Chippewa County, Michigan

We have audited the financial statements of the Township of Hulbert for the year ended March 31, 2005. As required by auditing standards generally accepted in the United States, the independent auditor is required to make several communications to the governing body having oversight responsibility for the audit. The purpose of this communication is to provide you with additional information regarding the scope and results of our audit that may assist you with your oversight responsibilities of the financial reporting process for which management is responsible.

### **AUDITOR'S RESPONSIBILITY UNDER AUDITING STANDARDS GENERALLY ACCEPTED IN THE UNITED STATES**

We conducted our audit of the financial statements of the Township of Hulbert in accordance with auditing standards generally accepted in the United States. The following paragraph explains our responsibilities under those standards.

Management has the responsibility for adopting sound accounting policies, for maintaining an adequate and effective system of accounts, for the safeguarding of assets, and for devising an internal control structure that will, among other things, help assure the proper recording of transactions. The transactions that should be reflected in the accounts and in the financial statements are matters within the direct knowledge and control of management. Our knowledge of such transactions is limited to that acquired through our audit. Accordingly, the fairness of representations made through the financial statements is an implicit and integral part of management's accounts and records. However, our responsibility for the financial statements is confined to the expression of an opinion on them. The financial statements remain the responsibility of management.

The concept of materiality is inherent in the work of an independent auditor. An auditor places greater emphasis on those items that have, on a relative basis, more importance to the financial statements and greater possibilities of material error than those items of lesser importance or those in which the possibility of material error is remote.

For this purpose, materiality has been defined as "the magnitude of an omission or misstatement of accounting information that, in light of surrounding circumstances, makes it probable that the judgment of a reasonable person relying on the information would have been changed or influenced by the omission or misstatement."

An independent auditor's objective in an audit is to obtain sufficient competent evidential matter to provide a reasonable basis for forming an opinion on the financial statements. In doing so, the auditor must work within economic limits; the opinion, to be economically useful, must be formed within a reasonable length of time and at reasonable cost. That is why an auditor's work is based on selected tests rather than an attempt to verify all transactions. Since evidence is examined on a test basis only, an audit provides only reasonable assurance, rather than absolute assurance, that financial statements are free of material misstatement. Thus, there is a risk that audited financial statements may contain undiscovered material errors or fraud. The existence of that risk is implicit in the phrase in the audit report, "in our opinion."

To the Township Board  
Township of Hulbert  
Chippewa County, Michigan

In the audit process, we gain an understanding of the internal control structure of an entity for the purpose of assisting in determining the nature, timing, and extent of audit testing. Our understanding is obtained by inquiry of management, testing transactions, and observation and review of documents and records. The amount of work done is not sufficient to provide a basis for an opinion on the adequacy of the internal control structure.

### **SIGNIFICANT ACCOUNTING POLICIES**

The significant accounting policies are described in Note 1 to the financial statements.

### **OTHER COMMUNICATIONS**

Auditing standards call for us to inform you of other significant issues such as, but not limited to, 1) Accounting estimates that are particularly sensitive because of their significance to the financial statements or because of the possibility that future events affecting them may differ markedly from management's current judgments; 2) Significant audit adjustments that may not have been detected except through the auditing procedures we performed; 3) Disagreements with management regarding the scope of the audit or application of accounting principles; 4) Consultation with other accountants; 5) Major issues discussed with management prior to retention; and 6) Difficulties encountered in performing the audit.

We have no significant issues, regarding these matters, to report to you at this time. Audit adjustments were minimal, and are available to review.

### **GASB 34 IMPLEMENTATION**

The Governmental Accounting Standards Board issued a new reporting model for governmental units which was required to be implemented for the fiscal year ended March 31, 2005. The implementation of this pronouncement for the Township of Hulbert began with the year ended March 31, 2005. The daily operations and recording transactions did not change significantly, however, the Township is required to maintain additional records for the year end adjustments to the final presentation format.

### **COMMENTS AND RECOMMENDATION REGARDING INTERNAL CONTROLS/ COMPLIANCE/ EFFICIENCY**

Our procedures disclosed the following conditions that we would like to bring to your attention:

#### **SEGREGATION OF DUTIES**

A separation of duties between persons who authorize transactions and persons who have control over the related assets does not always exist.

The least desirable accounting system is one in which an employee is responsible for executing the transaction and then recording the transaction from its origin to its ultimate posting in the General Ledger. This increases the likelihood that intentional or unintentional errors will go undetected. In most cases, adequate segregation of duties substantially increases control over errors without duplication of effort.

We understand that due to the size of needed staff, a proper segregation of duties may be impractical and the "cost to benefit" relationship may not justify the addition of accounting staff to accomplish the desired segregation.

These conditions were considered in determining the nature, timing and extent of the audit tests to be applied in our audit of the Township's financial statements and this communication of these matters does not affect our report on the Township's financial statements, dated March 31, 2005.

To the Township Board  
Township of Hulbert  
Chippewa County, Michigan

SUMMARY

We welcome any questions you may have regarding the foregoing comments and we would be happy to discuss any of these or other questions that you might have at your convenience.

Sincerely,

*Campbell, Kusterer & Co., P.C.*

CAMPBELL, KUSTERER & CO., P.C.  
Certified Public Accountants